

FROM: Stewart, William
TO: Dahir, Victor; Beindorff, Michael; Allen, Paul; Schmidt, Ron; Kann, Jeff; Onoda, John; Van der Voort, Jan
SUBJECT: PERSONAL AND CONFIDENTIAL - YOUR EYES ONLY - DO NOT COPY
DATE: 19990316

Good Morning !

The attached file is my crude attempt to communicate the magnitude of the challenge we face as we both secure Visa key banks and attack the Mastercard board banks. As you can see, the 1999 exposure is approximately \$121m in marketing incentives. This amount is net of Partnership Pricing reductions for DP and Service Fees, so the P&L hit is larger. (Victor, I just did not get a chance to add the appropriate amount). Also I have been aggressive by allowing PP for DP Fees and amortization for Wells and Fleet (questionable assumption). I propose the following:

1. As we meet with the banks we are making commitments - it is difficult to walk away from any of this business. - We can get "incremented" without focusing on total exposure.
- 1.5 The \$120m is within the range of the interchange models that Ron is working on. The big question is allocation amongst our customers... strict rules or flexibility ? The numbers in the attachment are what it takes to beat Mastercard and start us down the rode of non-duality, the pricing model may not provide the same numbers bank by bank.
2. In most cases we are able to secure a modest premium over Mastercard, but not much.
3. Jeff, I need your help in scrubbing this list.
4. Obviously we need to apply "win-odds" to all of these, but we "may" pull it off if we choose to go ahead with all of it.
- 5 Victor, what is our capacity to contain the amount over the \$60m that is budgeted in the plan ? Board approval ? What is the hit on our incentive payouts ?
Accounting requirements ? Implications for Bank of America given magnitude of their number ?
6. We need to debate as a management team and make a recommendation to Carl.

GOVERNMENT
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Please advise your views. I am traveling the rest of this week and most of next week. Perhaps e-mail and then I try to call each of you ? Or ?

Thank You !!

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